evidence establishes that: (1) The terms of the proposed transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned; (2) the proposed transaction is consistent with the policy of each registered investment company concerned, as recited in its registration statement and reports filed under the 1940 Act; and (3) the proposed transaction is consistent with the general purposes of the 1940 Act.

13. The Applicants submit that the terms under which any redemption and contribution in kind would be effected are reasonable and fair and do not involve overreaching on the part of any person. The Applicants further submit that the proposed transaction is consistent with the policy of each registered investment company concerned and with the general purposes of 1940 Act.

14. If a redemption and contribution in kind is effected, each of PMLIC and PLACA, on behalf of its respective Accounts, would contemporaneously place a redemption request with the Replaced Portfolio and a purchase order with the New Portfolio so that each purchase in the New Portfolio would correlate to the amount of the redemption proceeds received from the Replaced Portfolio. As a result, at all times, monies attributable to Contract owners then invested in the Replaced Portfolio would remain fully invested.

15. Furthermore, the interests of the Contract owners would not be diluted by the proposed transaction. The redemption and contribution in kind would be done at values consistent with the policies of both the Replaced Portfolio and the New Portfolio. In addition, PIMC and the proposed subadviser of the New Portfolio would review the asset transfers to ensure that the assets meet the objectives of the New Portfolio and that they are valued under the appropriate valuation procedures of the Replaced Portfolio and the New Portfolio. The in kind redemption and contribution would reduce the brokerage costs that would otherwise be charged in connection with the full redemption of shares and would conform to the provisions of rule 17a-7(d) under the 1940 Act.

16. The Applicants believe proposed redemption and contribution in kind are consistent with the general purposes of the 1940 Act and do not present any of the abuses that the 1940 Act was designed to address. The Applicants would carry out the proposed substitution and any redemption and purchase in kind in a manner appropriate in the public interest and consistent with the protection of investors. The Applicants submit that the proposed redemption and contribution in kind meets the standards the Commission and its staff have applied to applications for orders of exemption for similar redemptions in kind that have been granted in the past.

17. The Applicants request an order of the Commission pursuant to Section 26(b) of the 1940 Act approving the proposed substitution by PMLIC and PLACA and pursuant to Section 17(b) of the 1940 Act exempting any related transaction involving a redemption and contribution in kind from Section 17(a). The proposed substitution and related transaction will not be completed until after both (1) the Commission has issued an Order granting the relief requested in this application and (2) the post-effective amendment to the registration statement of Market Street registering the New Portfolio and its shares with the Commission is effective.

Conclusion

For the reasons summarized above, Applicants assert that the requested order meets the standards set forth in Section 26(b) of the 1940 Act and Section 17(b) of the 1940 Act and should, therefore, be granted.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–380 Filed 1–6–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24231; 812–11782

Standish, Ayer & Wood Investment Trust, et al., Notice of Application

January 3, 2000.

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Notice of an application under section 17(b) of the Investment Company Act of 1940 (the ''Act'') for an exemption from section 17(a) of the Act.

SUMMARY OF APPLICATION: Applicants request an order to permit certain limited partnership to transfer all their assets to corresponding new series of a registered open-end management investment company in exchange for shares of the new series.

APPLICANTS: Standish, Ayer & Wood Investment Trust (''Trust''), Standish Small Cap Value Fund, Limited Partnership (''Small Cap Partnership''), SIMCO International Small Cap Fund, Limited Partnership (''International Partnership'' and together with the Small Cap Partnership, the ''Partnerships''), Standish, Ayer & Wood Inc. (''Standish''), Standish International Management Company, L.P. (''SIMCO'' and together with Standish, the ''Advisers''), and Standish Investments, Inc. (''SII'').

FILING DATES: The application was filed on September 20, 1999 and amended on December 22, 1999. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on January 26, 2000, and should be accompanied by proof of service on applicants, in the form of an affidavit, or for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, NW., Washington, D.C. 20549–0609; Applicants, c/o Beverly E. Banfield, Standish, Ayer & Wood Inc. One Financial Center, 26th Floor, Boston, MA 02111.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942–0574 or George J. Zornada, Branch Chief, at (202) 942–0564, (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, NW., Washington, D.C. 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. The Trust, a Massachusetts business trust, is registered under the Act as an open-end management investment company. The Trust currently offers 23 series and proposes to offer two additional series, the Standish Small Cap Value Fund (''Small Cap Fund'') and the Standish International Small Cap Fund (''International Fund'' and together with

the Small Cap Fund, the ''New Funds''). The investment objective and principal strategies of each New Fund will be essentially identical to those of its corresponding Partnership. The Small Cap Partnership and the International Partnership are Massachusetts limited partnerships organized on January 4, 1999 and January 2, 1996, respectively. The Partnerships are not registered under the Act in reliance on section 3(c)(1) of the Act.

2. Standish is registered under the Investment Advisers Act of 1940 (''Advisers Act'') and serves as investment adviser to the Small Cap Partnership and the Small Cap Fund. SIMCO, which is wholly-owned by Standish, is registered under the Advisers Act and serves as investment adviser to the International Partnership and to the International Fund. SII, a wholly-owned subsidiary of Standish, serves as general partner (''General Partner'') of the Partnerships.

3. Applicants propose that each of the New Funds will acquire all the assets, minus assets sufficient for winding up the Partnership, from its corresponding Partnership in exchange for New Fund shares (''Shares'') (the ''Exchanges''). Each Exchange will be effected pursuant to an Agreement and Plan of Exchange (the ''Plan''). Under the Plan, Shares delivered to each Partnership in an Exchange will have an aggregate net asset value (''NAV'') equivalent to the NAV of the assets transferred by that Partnership to the Trust on behalf of the corresponding New Fund. Each Partnership will subsequently distribute the New Fund Shares it receives to its partners on a pro-rata basis based on the value of the interests held on the effective date of the Exchange by each partner, currently anticipated to be January 28, 2000. Following the Exchange, each Partnership will be liquidated and dissolved. The expenses of the Exchanges will be borne by Standish.

4. At an October 12, 1999 meeting of the board of trustees of the Trust (the ''Board''), the Board, including a majority of the members who are not ''interested persons,'' as defined in section 2(a)(19) of the Act (''Independent Trustees''), approved the Exchanges. In approving the Exchanges, the Board concluded that: (a) the Exchanges are desirable as a business matter from the point of view of the Trust; (b) the Exchanges are reasonable and fair, do not involve overreaching, and are consistent with the policies of the Funds; and (c) the interests of existing shareholders in the Funds will not be diluted as a result of the Exchanges. These findings, and the basis upon which such findings were made, have been recorded in the minute books of the Trust.

5. The board of directors of SII, as General Partner of the Partnerships, approved the Exchange by unanimous written consent. SII, as General Partner, will solicit through the delivery of a private placement memorandum written consents from each limited partner to amend the partnership agreements of the Partnerships to allow for the conversion of the Partnerships into a registered investment company. The limited partners who do not consent to the amendment to the partnership agreements, or who do not wish to participate in the conversion of the Partnerships, will have an opportunity to redeem their interests in the Partnerships before the conversion occurs.

6. The Exchanges will not be effective until: (a) The Commission has issued an order relating to the application; (b) a majority in interest of the limited partners of each Partnership approve an amendment to each Partnership Agreement to allow for the conversion of the Partnerships into a registered investment company; and (c) the Trust and the Partnerships have received an opinion of counsel that no gain or loss will be recognized by the New Funds upon the transfer of the Partnerships' assets.

Applicants' Legal Analysis

1. Section 17(a) of the Act prohibits any affiliated person of a registered investment company, or any affiliated person of that person, acting as principal, from selling to or purchasing from the registered investment company any security or other property. Section 2(a)(3) of the Act defines an 'affiliated person'' as, among other things, any person directly or indirectly owning, controlling, or holding with power to vote 5% or more of the outstanding voting securities of the other person; any person controlling, controlled by, or under common control with, the other person; any officer, director, partner, copartner or employee of the other person; and, if the other person is an investment company, its investment adviser.

2. Applicants state that each Partnership could be deemed to be an affiliated person of an affiliated person of each Fund. Applicants state that because SII (as General Partner of the Partnerships) and SIMCO (as investment adviser to the International Partnership) are under common control with Standish (the investment adviser to the Small Cap Partnership), Standish could be deemed to control the Partnerships. Each Partnership would be an affiliated person of Standish and an affiliated person of an affiliated person of each New Fund based on Standish and SIMCO begin the investment advisers to the New Funds. In addition, several limited partners who are directors or officers of Standish own greater than 5% of the Small Cap Partnership, which would make these limited partners affiliated persons of the Small Cap Partnership. These limited partners are also affiliated persons of the New Funds by reason of their positions with Standish. Accordingly, the Small Cap Partnership could also be deemed an affiliated person of an affiliated person of the Small Cap Fund. Thus, applicants state that the proposed Exchanges may be prohibited under section 17(a).

3. Rule 17a–7 exempts certain purchase and sale transactions otherwise prohibited by section 17(a) if an affiliation exists solely by reason of having a common investment adviser, common directors, and/or common officers or directors, provided, among other requirements, that the transaction involves a cash payment against prompt delivery of a security. Applicants state that the relief provided by rule 17a–7 may not be available for the Exchanges because the Exchanges will be effected on a basis other than cash. Applicants also state that because several limited partners who are officers or directors of Standish may be deemed affiliated persons of the Small Cap Partnership because they own 5% or more of the Partnership, the New Funds and the Partnerships may be affiliated in a manner other than allowed under rule 17a–7.

4. Section 17(b) of the Act authorizes the Commission to exempt a transaction from the provisions of section 17(a) if the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned and the proposed transaction is consistent with the policy of each registered investment company concerned and the general purposes of the Act.

5. Applicants submit that the terms of the Exchanges are consistent with the requirements of section 17(b) of the Act. Applicants state that the Shares issued by each New Fund will have an aggregate NAV equal to the value of the assets acquired from its corresponding Partnership and that because Shares will be issued at their NAV, Fund shareholders will not be diluted. Applicants also state that the investment objective and policies of each New Fund are substantially similar to its corresponding Partnership.

Applicants further state that the Board, including the Independent Trustees, have approved the Exchanges, and that each Exchange will comply with rule 17a–7 (b) through (f).

Applicants' Condition

Applicants agree that any order granting the requested relief will be subject to the following condition:

1. The Exchanges will comply with the terms of Rule 17a–7 (b) through (f).

For the Commission, by the Division of Investment Management under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 00–383 Filed 1–6–00; 8:45 am]

BILLING CODE 8010–01–M

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 24232; 812–11828]

H&Q Healthcare Investors and H&Q Life Sciences Investors; Notice of Application

January 3, 2000.

AGENCY: Securities and Exchange Commission (''Commission'').

ACTION: Notice of an application under section 6(c) of the Investment Company Act of 1940 (''Act'') for an exemption from section 19(b) of the Act and rule 19b–1 under the Act.

SUMMARY OF APPLICATION: Applicants, H&Q Healthcare Investors (''HQH'') and H&Q Life Sciences Investors (''HQL'') (each a ''Fund,'' and together the ''Funds''), request an order to permit each fund to make up to four distributors of net long-term capital gains in any one taxable year, so long as it maintains in effect a distribution policy calling for quarterly distributions of a fixed percentage of net asset value.

FILING DATES: The application was filed on October 27, 1999, and was amended on December 21, 1999.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. hearing requests should be received by the Commission by 5:30 p.m. on January 28, 2000, and should be accompanied by proof of service on applicants, in the form of an affidavit, or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the Commission's Secretary.

ADDRESSES: Secretary, Commission, 450 Fifth Street, N.W., Washington, D.C. 20549–0609; Applicants, 50 Rowes Wharf, Fourth Floor, Boston, Massachusetts 02110–3328.

FOR FURTHER INFORMATION CONTACT: Deepak T. Pai, Senior Counsel, at (202) 942–0574 or George J. Zornada, Branch Chief, at (202) 942–0564, (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the Commission's Public Reference Branch, 450 Fifth Street, N.W., Washington, D.C. 20549–0102 (telephone (202) 942–8090).

Applicants' Representations

1. The Funds are registered under the Act as closed-end, diversified management investment companies and organized as Massachusetts business trusts. The investment objective of HQH is long-term capital appreciation through investment in securities of companies in the healthcare industry. The investment objective of HQL is long-term capital appreciation through investment in securities of companies in the life sciences industry. Hambrecht & Quist Capital Management Incorporated, an investment adviser registered under the Investment Adviser Act of 1940, serves as each Fund's investment adviser.

2. On May 10, 1999, each Fund's board of trustees (''Board''), adopted a managed distribution policy (''distribution'') with respect to the Fund's common shares. Each Fund's shares are listed and traded on the New York Stock Exchange. Under the Distribution Policy, each Fund intends to make quarterly distributions to its shareholders equal to 2.0% of the Fund's net asset value (''NAV''). The Boards, including a majority of the members who are not ''interested persons'' of the Funds, as defined in section 2(a)(19) of the Act, concluded that adoption of the Distribution Policy would be in the best interests of the Funds' shareholders. Applicants state that, while at times since inception each Fund's shares have traded at a premium, each Fund's shares generally have traded at a discount to NAV. In this regard, the Boards took into account empirical evidence that, in some cases, market price discounts to NAV have narrowed upon adoption of similar distribution policies by other closed-end investment companies.

3. Each Fund requests relief to permit it, so long as it maintains in effect the Distribution Policy, to make up to four long-term capital gains distributions in any one taxable year.

Applicants' Legal Analysis

1. Section 19(b) of the Act provides that a registered investment company may not, in contravention of such rules, regulations, or orders as the Commission may prescribe, distribute long-term capital gains more often than once very twelve months. Rule 19b–1(a) under the Act permits a registered investment company, with respect to any one taxable year, to make one capital gains distribution, as defined in section 852(b)(3)(c) of the Internal Revenue Code of 1986, as amended (the ''Code''). Rule 19b–1(a) also permits a supplemental distribution to be made pursuant to section 855 of the Code not exceeding 10% of the total amount distributed for the year. Rule 19b–1(f) permits one additional long-term capital gains distribution to be made to avoid the excise tax under section 4982 of the Code.

2. Applicants assert that rule 19b–1, by limiting the number and amount of net long-term capital gains distributions that each Fund may make with respect to any one year, may prevent the normal operation of the Distribution Policy whenever the Fund's realized net long-term capital gains in any year exceed the total of the long-term capital gains that under rule 19b–1 may include such capital gains. As a result, applicants state that each Fund might have to combine the third and fourth quarter dividends to comply with rule 19b–1, thereby disturbing the regularity of the dividend policy or fund the distributions with a return of capital. Applicants further state that the long-term capital gains in excess of the fixed distributions permitted by rule 19b–1 then would have to be added to one of the permitted capital gains distributions, thus exceeding the total minimum amount called for by the Distribution Policy, or be retained by each Fund, with each Fund paying taxes on the long-term capital gains that are retained. Applicants believe that the application of rule 19b–1 to its Distribution Policy may create pressure to limit the realization of long-term capital gains to the total amount of the fixed quarterly distributions that under the rule may include long-term capital gains.

3. Applicants submit that one of the concerns leading to the adoption of section 19(b) and rule 19b–1 was that